

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

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SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 PA-01

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LIMITED OFFICIAL USE KUALA LUMPUR 3332

E.O. 11652: N/A

TAGS: ENRG MY

SUBJ: PETRONAS CHAIRMAN RAZALEIGH COMMENTS PUBLICLY ON SUS-
PENSION OF OIL EXPLORATION BY EXXON

REF: KUALA LUMPUR 2597

1. BEGIN LIMITED OFFICIAL USE. SUMMARY. PETRONAS
CHAIRMAN RAZALEIGH QUOTED BY PRESS AS SAYING EXXON
PRODUCTION HAD TO SUSPEND OIL EXPLORATION IN MALAYSIA
BECAUSE COMPANY DID NOT HAVE AN AGREEMENT WITH PETRONAS
AND BECAUSE PETRONAS ALLOCATED TO EXXON SEVEN AND
ONE-HALF PERCENT OF PROFITS FROM OIL PRODUCTION REVENUES.
RAZALEIGH'S REASONS COINCIDE WITH TWO OF FOUR REASONS
GIVEN BY EXXON TO EMBASSY FOR CESSATION OF ALL EX-
PLORATION WORK IN MALAYSIA (SEE REFTEL). EXXON ALSO
GIVES AS REASONS PETROLEUM ACT AMENDMENT WHICH SERIOUSLY
UNDERMINES ANY POSSIBILITY OF DOWNSTREAM INVESTMENT,
AND INTENTION OF PETRONAS THAT EXXON CONTRACTORS TAKE
ON LOCAL PARTNERS WITHOUT EQUITY PAYMENT. THIS IS
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FIRST PUBLIC STATEMENT BY RAZALEIGH ON CESSATION OF

OIL EXPLORATION ACTIVITIES BY EXXON. END SUMMARY.
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2. BEGIN UNCLASSIFIED. "NEW STRAITS TIMES" JUNE 13 CARRIED
FRONT PAGE ARTICLE ENTITLED "RAZALEIGH TELLS WHY EXXON HAD TO
SUSPEND WORK." PRINCIPAL POINTS QUOTED BELOW:

A. PETRONAS CHIEF TENGKU RAZALEIGH SAID TODAY, EXXON
PRODUCTION MALAYSIA HAD TO SUSPEND OIL EXPLORATION OFF THE
PENINSULAR EAST COAST BECAUSE THE COMPANY DID NOT HAVE AN
AGREEMENT WITH PETRONAS FOR ITS ACTIVITIES.

B. HE SAID THE GOVERNMENT NO LONGER RECOGNISED OLD AGREEMENTS
BETWEEN FOREIGN COMPANIES AND STATE GOVERNMENTS SIGNED BEFORE
THE PETROLEUM DEVELOPMENT ACT OF 1974 CAME INTO FORCE.

C. THE ACT GIVES PETRONAS EXCLUSIVE RIGHTS TO OIL EXPLORATION
AND EXPLOITATION. UNDER REGULATIONS GAZETTED UNDER THIS ACT,
ALL ORGANISATIONS DEALING IN PETROLEUM ACTIVITIES ARE REQUIRED
TO OBTAIN A LICENSE FROM PETRONAS.

D. TENGKU RAZALEIGH, WHO WAS HERE TO SIGN ON PETRONAS BEHALF,
AN OIL EXPLORATION RIGHTS AGREEMENT WITH THE NEGRI SEMBILAN
GOVERNMENT, SAID PETRONAS ALLOCATED TO EXXON PRODUCTION 7-1/2
PERCENT OF ITS PROFITS FROM OIL EXPLORATION REVENUE, BUT THE
COMPANY WANTED 35 PERCENT.

3. HE SAID THAT BEFORE THE ACT WAS PASSED THE GOVERNMENT HAD
OBTAINED ONLY EIGHT PER CENT OF REVENUE FROM OIL EXPLORATION
IN THE COUNTRY.

F. HE STRESSED THAT "WE MUST SAFEGUARD THE NATIONAL INTEREST
AND MUST ACT TO GUARD NATIONAL RESOURCES LIKE OIL."

G. TENGKU RAZALEIGH SAID MANY FOREIGN COMPANIES HAD APPLIED TO
EXPLORE FOR OIL SINCE THE ACT CAME INTO FORCE ON OCTOBER 1.

H. EXXON EXPLORATION SUSPENDED ITS EAST COAST ACTIVITIES LAST
MONTH "PENDING CLARIFICATION OF THE TERMS APPLICABLE TO
CONTINUED OPERATIONS IN MALAYSIA." END UNCLASSIFIED.
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